



ALLIANCE **OF AMERICAN FOOTBALL**

Overview

The current sports business model is fundamentally flawed. The major professional sports leagues have sold all their distribution rights to media companies which means their only connections to their fans outside of the stadiums are through media and cable partners. Meanwhile those major media companies spend billions on acquiring the rights to broadcast live content but in increasingly limited capacities. Additionally, gaming companies don't get distribution rights and thus must spend billions on advertising and acquisition costs to reach fans. As a result, the fan experience has suffered. Games are longer to pack in all the necessary commercials to pay for the media deals, tickets are more expensive to attend games and innovation has stagnated around the viewing experience.

Alliance of American Football

We set out to create a new single entity, spring football league with a sustainable business model that provides entertainment and is ultimately subservient to its core consumer and its labor pool both on and off the field. We are aligning with traditional media and broadcast companies, but more importantly, we are building a direct-to-consumer platform at the same time. We plan to put a high quality, top-flight football product on the field. Our business model is rooted in the traditional live events business (ticket sales, merchandise, sponsorships etc.) but ultimately revolves around the "gamification of the game itself": providing fans with ancillary digital activities to interact with during the game experience.

The Market

The eventual goal is for our digital platform to be applicable and licensable to a wide array of other sports and distributable live event content. To begin with, we have selected to launch a competitive spring football league that serves as a complimentary league to the NFL. We have chosen football for several reasons.

- For six months out of the year football dominates with 6x the number of viewers of all other sports and 59 million fantasy players. However, once the Super Bowl is over ~80 million people stop watching sports altogether and ~20 million people stop competing in fantasy sports. This provides for a large market and opportunity to be captured.
- The pool of available, quality and talented football players is vast. For context, there were 16,236 draft eligible players for the 2018 NFL Draft with only 256 players drafted (1.6%). Moreover, On September 2nd the NFL will cut 864 players before the season as teams reduce rosters.

AAF Fundamentals

The Alliance of American Football will be a closed loop, single entity spring football league that aligns fans, players, and partners in the success of the business with the goal being to improve the game and experience for all constituents.

All teams will be owned and operated by the league. We plan to offer affordable \$35 seats between the 40 yard lines in all our stadiums with games running less than 2.5 hours on average. We are highly focused on safety and are striving to improve the quality of life for our athletes both on and off the field. The goal is to improve the fan experience while also giving our athletes a chance to continue to pursue their passion while providing for their families and preparing for life beyond football. Each year a player plays in the AAF, they will earn a one year scholarship for post-secondary and vocational education.



ALLIANCE
OF AMERICAN FOOTBALL

We will have eight teams for our 2019 season and will play a 10-game season with our inaugural game broadcast on CBS the weekend following the Super Bowl (also broadcast on CBS). Our regular season will be followed by a four-team playoff, culminating in a Championship game on the weekend of April 26th – 28th.

Pathway to Success

Led by some of the most experienced and respected football minds, the Alliance of American Football will include elite professional talent fueled by a dynamic alliance between players, fans and the game. We believe that putting high-quality, top-flight football on the field is of the utmost importance. Our executive team consists of the following individuals:

- **Bill Polian**, *Co-founder*: NFL Hall and the only 6x executive of the year
 - Responsibilities include all league and game standards, rules and regulations as well as all coaching and player/personnel decisions
- **JK McKay**, *Head of Football Operations*: Former NFL player and USC Hall of Fame member
 - Responsible for recruiting and signing coaches, general managers and players
- **Tom Veit**, *Head of Business*: Former CRO of United Soccer League, and former EVP of Global Events for WWE
 - Responsibilities include oversight for all live event revenue streams (including but not limited to ticket sales, merchandise and sponsorships), stadium and city negotiations, and recruitment of front office team personnel
- **Troy Polamalu**, *Head of Player Relations*: 2x Super Bowl champion and 5x Pro Bowler
 - Oversees player health and wellness on and off the field
- **Mike Pereira**, *Head of Officiating*: FOX Sports NFL Rules analyst and former VP of NFL Officiating
 - Oversees rules and regulations and manages officiating crews

We have also chosen our cities and coaches carefully. We have locked down all of 8 of our inaugural cities and coaches. We have selected major cities that can support professional football teams and have established, large and fervent fan bases. Each of our stadium and head coaching contracts are multi-year deals. We have signed elite head coaches, each of which has NFL and/or NCAA Division 1 college football head coaching experience.

- Orlando; Spectrum Stadium (UCF): **Steve Spurrier**
- Atlanta; Georgia State Stadium (Georgia State): **Brad Childress** (Offensive Coordinator **Michael Vick**)
- Memphis; Liberty Bowl Memorial Stadium (University of Memphis): **Mike Singletary**
- Salt Lake City; Rice-Eccles Stadium (University of Utah): **Dennis Erickson**
- Phoenix; Sun Devil Stadium (ASU): **Rick Neuheisel**
- San Diego; San Diego County Credit Union Stadium (SDSU): **Mike Martz**
- Birmingham; Legion Field (UAB): **Tim Lewis**
- San Antonio; Alamo Dome (UTSA): **Mike Riley**

Our stadiums vary in size and capacity, and our projection for average ticket sales per game is 17,500. For context, the original XFL (2001) averaged over 23,000 tickets per game while the USFL averaged over 25,000.



ALLIANCE OF AMERICAN FOOTBALL

We are also well positioned to attract elite football players. Alliance players will receive professional top-tier coaching and training, access to top-notch facilities, and state-of-the-art protection on the field and ample opportunities off it. Along with a significant and competitive salary for players, The Alliance will also provide a comprehensive bonus system, post-football career planning, counseling and scholarship support for postsecondary education. Additionally, our season allows for players to prepare for and still pursue a career in the NFL. All players will be given an exception to forego their contract and obligation to the Alliance to play in the NFL. All our players will be signed to multi-year deals as well.

We have already secured a 4-year broadcast distribution deal with CBS with our first game premiering in February 2019 the week after CBS broadcasts the Super Bowl. We are also in final negotiations on a term sheet for a 3 year deal with FOX as a second broadcast partner. We will maintain control of all digital rights. This allows us to use the broadcast to market our digital gaming platform and drive traffic to the app and deliver downloads.

The Alliance App

We will deliver the best high quality low latency video via our app. Fans will also be able to actively play fantasy, and challenge and message/socialize with friends. All while watching live games. Wearable tech on the players, combined with our video production capabilities and proprietary software gives gamers unprecedented real-time access to data and information in a way that has never been done before.

Revenue on the digital side of the business is driven by the following:

- Fantasy and gaming
- The sale of premium data gathered through our wearable tech on the players
- Digital in-app sponsorships

Our development and operations teams have experience developing businesses from seed to scale while our production team has been handpicked from FOX and CBS.

- **Bob Bowman; Non-Executive Product Chair:** Former Chief Executive Officer & President of MLB Advanced Media (MLBAM) and President of Business & Media of Major League Baseball.
 - Oversees the development of the digital platform and app
- **Erik Schwartz; Head of Platform:** Formerly Chief Product Officer at BitTorrent Live, a peer-to-peer low latency live streaming technology company
 - Oversees app development and back-end infrastructure, video and mobile engineering teams
- **Andrew Pedersen; Head of Product:** Formerly Chief Product Officer at GSN Social Casino, a leading provider of cross-platform entertainment owned by Sony
 - Oversees development of the in-app gaming product and front-end engineering teams

Funding

Achieving cash flow positive (3rd season projection) will require total investment of \$195M, over 3 rounds of funding: Startup, Season 1 and Growth round. We expect two primary sources of investment: preferred equity and FANchise licenses (see explanation below).

To date, we have raised ~\$9M in preferred equity to fund our startup phase. We have used these proceeds to secure our stadiums, coaches and broadcast partners, and complete the build out of our



football operations, digital, production and business operations teams. As a result of our capital efficiency, this has all been accomplished ahead of schedule and under budget.

As we exit the startup phase, we are now raising \$100M in preferred equity to complete Season 1. Proceeds from this fundraising will be used to build out local team operations, complete the digital platform, sign players, run training camp and complete our inaugural season.

Upon completion of our inaugural season, we will sell the appropriate number of FANchise Licenses to cover the remaining \$85M of growth investment required to break even. Based on the success of our initial FANchise sales (see below), selling licenses to the 8 original teams would net ~\$120M in proceeds, more than covering our growth capital needs.

While the funding strategy above is more than adequate to fund operations through cash flow break even, we would consider substituting additional preferred equity funding for the FANchise sales as part of our growth round, should existing/new investors present terms that better optimize what's best for our existing shareholders, product and fans.

FANchises

While we don't believe franchising is the appropriate model for professional sports, we do believe involving local investors will enhance our connection to the local communities. To that end, we have created a FANchise License, allowing a local investor to buy a 10 year license to be the local face of the team, lead fan engagement activities, and passively participate in the team's local revenue. While we don't intend to market these until after the 1st season, we have already closed our first license for the San Diego FANchise for a total of \$14 million, and are in final negotiations for the Phoenix FANchise for \$15 million.

Valuation

Based on the value we've created by securing multi-year stadium deals in 8 prime media markets, 8 championship NFL/NCAA coaching staffs to multi-year contracts, multi-year national media contracts, and building out world class football operations, digital and business operations teams, we are seeking a \$230 million pre-money valuation. For existing shareholders, this valuation fairly values the foundation we've built and rewards them for the risk of early investment, and also provides significant ownership to new investors, while protecting their risk with preferred equity protections.

Use of Proceeds

The primary use of proceeds will be used to build the digital platform/app and for general league and team expenses to prepare for kick-off and operate the league and teams through the first two seasons.

At the league level operational expense items include but are not limited to:

- Salaries, bonuses & benefits, season build up marketing and media, CBS fees, content production costs, PR, branding research and services, football and training equipment, training camp payments, hiring and relocation fees, office rent, supplies and furniture, city launch events, television and digital production costs, legal and consulting fees and travel.
- ~\$22 million in 2018 and ~\$34 million in 2019



ALLIANCE **OF AMERICAN FOOTBALL**

At the league level operational expense items include but are not limited to:

- Salaries, bonuses & benefits, player personal services, stadium deposits and rentals, travel to away games, monthly rent and office supplies, referee costs, medical supplies, game staff, catering and hospitality costs, recruitment and relocations costs, player housing and local advertising.
- ~\$15 million in 2018 and ~\$100 million in 2019

Digital expenses include the following:

- Salaries, bonuses & benefits, office rent, supplies and furniture, digital operations, photography and digital content production, legal and consulting fees, advertising and promotion for the app including Super Bowl commercial, wearable technology equipment, technology testing costs, travel.
- ~\$8 million in 2018 and ~\$30 million in 2019

Sources of Revenue

Expenses are offset by a combination of league, team and digital revenue streams. The business is initially supported by traditional live events revenue streams (ticket sales, merchandise, sponsorships etc.) as we scale the digital side of the business.

League revenue is comprised of the following:

- National sponsorships, broadcasting deals, merchandise, and playoff and championship ticket sales
- ~\$23 million in 2019

Team revenue is comprised of the following:

- Ticket sales, merchandise and various sponsorships including but not limited to jerseys, stadium signage and Local TV and digital promotion
- ~\$55 million in 2019 (\$~7 million per team)

Digital revenue is comprised of the following:

- Fantasy and gaming, the sale of premium data gathered through our wearable tech on the players, digital in-app sponsorships
- ~\$18 million in 2019